

UNITED STATES DEPARTMENT OF COMMERCE  
THE MANUFACTURING COUNCIL  
Washington, DC

Room 210  
Canon House Office Building  
Washington, DC

Wednesday,  
May 11, 2005

Gilmour  
92 pp.

The meeting was convened, pursuant to notice,  
at 10:18 a.m., MR. DON WAINWRIGHT, Chairman,  
presiding.

APPEARANCES:

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Wainwright Industries

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U.S. House of Representatives  
Chairman, Committee on Small Business

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MR. MICHAEL NOWAK  
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MR. FRED KELLER  
Cascade Engineering, Inc.

MS. KAREN WRIGHT  
Ariel Corporation

MR. JAMES MCGREGOR  
Morgan Machine Tool

MR. D. HARDING STOWE  
R.L. Stowe Mills, Inc.

ALSO PRESENT:

HONORABLE ROBIN HAYES  
U.S. House of Representatives

HONORABLE MARK GREEN  
U.S. House of Representatives

HONORABLE SUE MYNRICK  
U.S. House of Representatives

HONORABLE MIKE TURNER  
U.S. House of Representatives

MR. FRANK BARGO

MR. STEVE LEWIS

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P R O C E E D I N G S

MEETING CALLED TO ORDER AND WELCOMING REMARKS

By Chairman Wainwright

CHAIRMAN WAINWRIGHT: Ladies and gentlemen,  
could we take our seats and start the meeting?

I would call this meeting to order of the  
Manufacturing Council. I want to thank everybody for  
coming, and look forward to comments from both the  
council and the public. As you know, this is a public  
hearing. I want to welcome you to Washington, DC.

I want to, first, thank Congressman Manzullo,  
who is not here at this time but is certainly on his  
way, for hosting this council meeting on Capitol Hill.

I would also like to thank all of the members  
of the public for attending, and various manufacturing  
associations and companies for joining us at the  
council today for this meeting.

Later in the meeting you will have a chance,  
of course, as the public are invited guests, to make  
comments, since this is a public meeting.

Before we begin, I'd like to mention that  
Scott Fisk, one of our members on the council, has  
resigned. He sold his company recently and feels that,  
since he's not running a manufacturing company, that  
he'd like to step down. We want to thank him for his

1 work and his dedication to the council and what he's  
2 done for us. So, Scott, good wishes to you and your, I  
3 guess, retirement. Thank you for the work you've done  
4 for us.

5 In February, we held a meeting at the Rouge  
6 plant in Detroit. Ford hosted that. We were joined by  
7 Congressman Thaddeus McCotter; we had Emily Derocco,  
8 the Assistant Secretary of Labor for Employment and  
9 Training; John Engler, the president of NAM was present  
10 also, with Dr. Thomas Dusterburg, who is president and  
11 chief executive officer of the MAPI, or Manufacturing  
12 Institute Alliance; Dan Danner, senior vice president  
13 and CEO of the National Association of Independent  
14 Business, NAIB, was also present for that meeting. We  
15 had a great discussion and dialogue, not only with  
16 council members, but with the public. From each of our  
17 invited guests, we learned a lot.

18 Many of the issues the council deals with, of  
19 course, have legislative aspects to them. We have been  
20 able to tell the Secretary exactly how manufacturing  
21 feels and some of the problems that manufacturing is  
22 facing, not only from the standpoint of the council,  
23 but from all of our associates in the United States in  
24 the manufacturing business.

25 While the council advises the Secretary on

1 these things, we are having a meeting today and we will  
2 be able to hear from Congress, and they'll be able to  
3 hear from the manufacturing sector. So, this is very  
4 important that we are located here in Washington, DC  
5 today for this meeting, and we look forward to this.

6 We now have our representative, Secretary of  
7 Commerce for Manufacturing and Analysis, Mr. Al Frink,  
8 who is our czar for manufacturing and represents  
9 manufacturing, and has an office in the Commerce  
10 Department.

11 It is great to have you here, Al. We would  
12 like to hear from you now, if we could. Thank you.

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REMARKS

By Honorable Albert A. Frink

MR. FRINK: Sure. Thank you very much, Don.

I would like to, first, recognize that Congressman Sue Mynrick is here, and thank you for taking the time to be with us. We are very pleased to have you.

On behalf of Secretary Guttierrez, I would like to welcome all of the council members here to Washington. I'd like to thank this opportunity to thank Chairman Manzullo, who is not here but we hope to see later, for arranging this meeting today. He is a passionate supporter of manufacturing. I just want to tell you how much I love this man.

CHAIRMAN WAINWRIGHT: Congressman, thank you for coming. Now, remember, is it Missouri, Missoura, or Manzu?

CONGRESSMAN MANZULLO: Try Illinois.

CHAIRMAN WAINWRIGHT: Try the Marquette Warriors.

CONGRESSMAN MANZULLO: No, no.

CHAIRMAN WAINWRIGHT: You guys did a great job this year.

CONGRESSMAN MANZULLO: The Eagles is what they're politically known as right now.

MR. FRINK: Well, as I was saying --

1 CHAIRMAN WAINWRIGHT: Excuse me, Mr.  
2 Secretary.

3 MR. FRINK: That's quite all right.

4 He is a passionate supporter of manufacturing.  
5 I've seen that firsthand. I'd like to also say a few  
6 quick words about Scott Fisk, who as Don mentioned, has  
7 resigned from the council.

8 On behalf of Secretary Guttierrez, I want to  
9 thank Scott for his splendid service. He never missed  
10 a meeting. He has been a great representative of the  
11 plastic industry, as well as the manufacturers in  
12 Minnesota. He will be greatly missed.

13 I was going to try to do something special for  
14 him to recognize him as being a charter member of this  
15 first council group, and we'll do that, moving forward.

16 As the President knows, the true power of  
17 manufacturing lies in men and women who work in the  
18 factories across this great country, producing goods we  
19 use every day. It has now been a year since this  
20 council was established, and manufacturing truly has a  
21 permanent seat at the policy table. Secretary  
22 Guttierrez and myself agree, the council represents an  
23 invaluable resource and we truly value its advice.

24 Council membership is diverse, by industry  
25 sector and by business size, as it was designed to be.



1 The administration has benefitted from receiving advice  
2 from this council, from large, medium, and small  
3 manufacturers in industries ranging from textiles to  
4 precious metals, and we have them represented here  
5 today.

6 As a result, we are beginning to address the  
7 issues of manufacturing in a very comprehensive manner.  
8 For example, in the last year we have addressed the  
9 issues of tort reform, health care, and market access.

10 Let me tell you a little bit about what the  
11 council is working on. During the last meeting in  
12 February, we heard from the industry associations, as  
13 Don mentioned, as well as Assistant Secretary Emily  
14 Derocco from Department of Labor.

15 We received their account of what their  
16 members and constituents feel are the issues of the  
17 manufacturing community and what we should be focusing  
18 on. The Subcommittee on U.S. Workforce continues to  
19 work with Emily Derocco on the issues of education, a  
20 very passionate focus of all of us.

21 As I say time and time again from my travels  
22 around the country, I see "Help Wanted" signs  
23 everywhere I go. But, sadly, we lack a skilled  
24 workforce that meets the needs of the 21st century.  
25 So, we are going to work to try to fix that.

1           On the subject of innovation, Jim Padilla,  
2           president of Ford Motor Company and a member of the  
3           council, and John Engler, president of the National  
4           Association of Manufacturers, both have emphasized the  
5           importance of innovation.

6           As a result, the Subcommittees on U.S.  
7           Competitiveness have taken the issue of innovation and,  
8           as I have heard Secretary Guttierrez emphasize on  
9           numerous occasions, we need an environment that  
10          encourages innovation and promotes risk-taking. It is  
11          a definite private sector viewpoint.

12          Without such an environment, the United States  
13          will not continue to be the greatest economy and power  
14          in the world. To maintain that position, we must  
15          promote innovation in all areas of our society. It  
16          requires companies to take risks in research and  
17          development. Companies must be able to afford the cost  
18          of research and development without having to worry  
19          about health care and frivolous lawsuits.

20          We must also maintain the level playing field  
21          for U.S. manufacturing, which is why CAFTA-DR is  
22          critical, and we all support that. Eighty percent of  
23          the exports from the CAFTA region enter the United  
24          States duty-free.

25          U.S. manufacturers do not currently share in

1 these benefits, but they will under CAFTA. With this  
2 agreement, all remaining tariffs will be phased out  
3 over 10 years. CAFTA finally levels the playing field  
4 for manufacturers in these countries.

5 All these issues, as I mentioned, make it  
6 possible for American goods and services to compete  
7 around the world. I would even take it a step further  
8 and say that we not only compete, we win in the  
9 international marketplace, and that is what we are  
10 tasked to do.

11 Moving forward in the future requires that we  
12 do all we can to preserve the opportunities for  
13 American small business owners and entrepreneurs. To  
14 achieve this, we must--must--open markets for U.S.  
15 goods and services with our neighbors and around the  
16 world.

17 Turning a little bit to the state of the  
18 economy, there is a lot of good news. The  
19 manufacturing sector has rebounded from a long  
20 downturn. We have had 23 months of solid expansion.  
21 It is the longest period of growth in 16 years.  
22 Productivity is up 2.6 percent in the first three  
23 months of this year, and has shown the fastest four-  
24 year growth over the last 50 years.

25 Last Friday, we heard an excellent jobs report

1 that highlights the strength of the economy. Last  
2 month, employers added 274,000 jobs, and I believe the  
3 previous two months had revised numbers that added  
4 close to another 50,000.

5 In total, we have added more than 3.5 million  
6 new jobs since May of 2003, and we have had 23 straight  
7 months of solid job growth. That is more than Canada,  
8 France, Germany, Great Britain, and Japan combined.

9 There are more Americans working today than at  
10 any time in history, and the U.S. economy is the  
11 fastest-growing industrialized economy in the world.  
12 But, while the economy is looking good, if one person  
13 is out of a job, we believe we have a lot more work to  
14 do.

15 On the interview front, last month President  
16 Bush, our president, outlined a broad vision to move  
17 America toward a greater energy independence. Also,  
18 Congress recently passed a budget that protects  
19 America, promotes economic growth, and keeps the United  
20 States on track to cut the deficit by 2009. So, there  
21 is a lot of good news coming from the manufacturing  
22 front.

23 Regarding the recommendations that we are  
24 tasked to accomplish--part of my job--we continue to  
25 pursue fulfilling the recommendations from the

1 Manufacturing America report.

2 We recently appointed Jack McDougal. He  
3 joined the Manufacturing Services as our Deputy  
4 Assistant Secretary for Industry Analysis. There he  
5 is. So, Jack is our new key individual to the efforts  
6 of Manufacturing Services and Industry Analysis.

7 As Deputy Assistant Secretary, Jack will  
8 assess the cost competitiveness of American industry  
9 and evaluate the impact of domestic and international  
10 economic policy on U.S. competitiveness in the  
11 manufacturing sector. It is a big job, but Jack is  
12 definitely key to do that.

13 Implementing the report's recommendations  
14 requires efforts from many agencies, and for that  
15 reason we are developing an inter-agency working group  
16 on manufacturing, which Secretary Guttierrez has  
17 appointed me as the chair.

18 This group, which is going to be very  
19 valuable, will be comprised of officials from 16  
20 agencies and be responsible for helping to facilitate  
21 the implementation of the manufacturing recommendations  
22 within the government. They will also help create the  
23 initiatives of President Bush's economic agenda as it  
24 moves forward.

25 This group will also give greater strength

1 through the manufacturing sector within our government,  
2 and I look forward to being a part of it. This is one  
3 of the key new developments within MAS.

4 So in closing, I am just going to say,  
5 clearly, the Manufacturing Council comes to Washington  
6 today. They come to a very friendly territory, right?

7 CONGRESSMAN MANZULLO: Yes.

8 MR. FRINK: The President, this  
9 administration, and Congress are working for  
10 manufacturers, and the manufacturers will continue to  
11 work for you. Manufacturing will continue to be the  
12 driving force of the U.S. economy and the preeminent  
13 destination for investment throughout the world.

14 I thank you.

15 CHAIRMAN WAINWRIGHT: Mr. Secretary, thank you  
16 very much. Good report. We appreciate that.

17 Now I would like to introduce a congressman  
18 that, you think he's from Montana because it's  
19 Manzullo, not Monzula.

20 CONGRESSMAN MANZULLO: It's Mazula.

21 CHAIRMAN WAINWRIGHT: Mazula.

22 CONGRESSMAN MANZULLO: Mazula, Montana.

23 CHAIRMAN WAINWRIGHT: But he's actually from  
24 the 16th District of Illinois.

25 CONGRESSMAN MANZULLO: Illinois.

1 CHAIRMAN WAINWRIGHT: And he is Chairman of  
2 the House Committee on Small Business and serves as  
3 Chairman of the Congressional Manufacturing Caucus,  
4 also. It is an honor and a privilege to introduce  
5 Congressman Manzullo to you.

6 Congressman, thank you.

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CONGRESSIONAL REMARKS

By Honorable Donald A. Manzullo

CONGRESSMAN MANZULLO: Well, thank you very much. It's a pleasure to be here.

CHAIRMAN WAINWRIGHT: You're at a loss for words, there.

CONGRESSMAN MANZULLO: Well, it really is. I want to try to give a perspective from members of Congress, and also from my congressional district, from somebody who's visited hundreds of facilities around the world, and probably the only member of Congress that's ever gone to warehousing school to study the extraction of raw materials to the manufacturing facility, and then the flow of the finished product into the hands of the consumer. That may seem boring, but when you look at the importance of logistics today, it's extremely important.

We've been doing several things. Our Small Business Committee has held over 60 hearings involving manufacturing. When you look at the other committees that we have here on the Hill, I think they have had a total of two. In fact, we even held hearings on the differences between sectoral productivity and multi-factor productivity.

It may seem arcane, but it's extremely



1 important because the latter has to do with the extent  
2 to which foreign parts have been incorporated into the  
3 assembly process. So you could increase productivity  
4 by putting in cheap Chinese parts, but what do you  
5 have?

6 That does not fulfill the classic economic  
7 models, that the more productivity you have, the more  
8 jobs you will add. That is called multi-sector  
9 productivity. That lags about four to five years  
10 behind. Sectoral productivity simply says we could  
11 produce the same thing with X many less man hours. We  
12 are talking about grease.

13 We're not talking about figures, we're not  
14 talking about statistics. We're talking about real,  
15 live human beings, people that get up at 5:00 in the  
16 morning, pack their lunches, go off to work, and have  
17 to sit there at a machine, trying to figure out how to  
18 make that thing work better.

19 In the classic sense, that's what we know as  
20 productivity. But I would not be thrilled with the  
21 statistics that talk about, we're increasing our  
22 productivity, unless we truly understand that if it's  
23 the result of lean manufacturing, just-in-time, people  
24 becoming 9000-9002 certified, and in our district, AS-  
25 9100 certified, so they could compete in the aerospace

1 industries, then you have an opportunity to see that  
2 the manufacturing sector has some viability to it.

3           What the Secretary didn't say, was that we  
4 lost 16,000 manufacturing jobs in the last month,  
5 mostly in the textile industry and in the furniture  
6 industry. The Chinese now dominate the furniture  
7 makers in this country. They are probably now at about  
8 60 to 65 percent of all of the case goods of furniture.

9           When you lose your furniture manufacturing,  
10 you lose the guys that make the machine tools, such as  
11 Black Manufacturers in Madota, Illinois who make the  
12 machines for it. So the more we lose a share in  
13 different sectors, the thing backs up like a sewer.  
14 What is bothering me, is the fact that I do not think  
15 things are as rosy out there in manufacturing as the  
16 indicators show. The reason for that, is that the  
17 orders are not long-term.

18           The President erred horribly with playing  
19 politics on steel, especially stainless steel, which  
20 still has a tariff on it. Hot-rolled steel still has a  
21 tariff on it. It really did a tremendous amount of  
22 harm to my manufacturers, who are heavily into tool and  
23 die and in the fastener industry.

24           So, you try to look at, are things better than  
25 they were a year ago in manufacturing? Absolutely.

1 Our orders are up tremendously. What's going on in  
2 mining because of the demand for energy? Caterpillar  
3 is going wild. They cannot get enough people to make  
4 stuff for them. Doug Kett has a \$150,000 million  
5 presence in my congressional district through the subs  
6 and the sub-subs there.

7 I just saw in the paper, now there's a big  
8 problem trying to get tires big enough to put on the  
9 big machines that are used to haul the coal that's been  
10 extracted from the mines.

11 The other thing I wanted to talk about, is the  
12 inter-agency workforce that has been set up. I think  
13 this is extremely significant, and let me give you a  
14 good example of it.

15 I was at the Cast Expo in St. Louis, the  
16 foundrymen and the tool and die people put that on, 900  
17 booths, 9,000 people showed up. That was a week that I  
18 spent there. I was with the heat treaters in Tucson,  
19 and with the diminishing supply folks from DoD and  
20 Nashville. It was a long week, but I spent it on  
21 manufacturing.

22 And one of the things that Phil Bond's group  
23 is trying to do, is to have a definitive place where  
24 you can find out exactly who's doing what in research  
25 and development in this country. We don't have that

1 now.

2 I helped set up back home what's called the  
3 Eiger Lab. It's a consortium of three universities  
4 with process and research engineers, along with Angel  
5 Capital, so you can take somebody with an idea right  
6 through commercialization. We are specializing there  
7 in something that's called micro-manufacturing.

8 For example, here is a beautiful spur gear  
9 that's milled with a carbide tip on a spindle, on  
10 essentially a dental drill, going about 120,000 rpms.  
11 It doesn't need to have any cleaning up at the end of  
12 it. It's less than the size of Lincoln's nose on this  
13 penny.

14 At one time, to do something like that -- or  
15 you could take a 1 millimeter piece of aluminum like  
16 this, take a CAD-CAM, take a picture of a frag, and  
17 then relief, actually mill this process. Once we could  
18 only do it with an EDM, a wire machine.

19 Well, I found out in St. Louis that Honeywell  
20 and Kansas City have something called a list, or a  
21 birth technology that's been borrowed from the Germans,  
22 whereby they're doing the very same thing on these  
23 gears.

24 Now, this is a spur gear. You could probably  
25 do a helio gear on it, or even a worm gear, because the

1 precision on it is so exact. Now, how did I know that  
2 somebody else was getting DoD funds and doing the very  
3 same thing, but with a different process, hopefully for  
4 a different application?

5 It's because I live at those shows. To me,  
6 going to a machine tool show is like a kid with new  
7 toys. It's to see the genius of the people that are  
8 involved in plastics, and composites, and metal, and  
9 stuff like that.

10 What I see taking place now, is when you look  
11 at the matrix that's set up with the four areas:  
12 Committee on Environment and Natural Resources;  
13 Committee on Science; Committee on Technology;  
14 Committee on Homeland and National Security. Under  
15 manufacturing research and development, it doesn't make  
16 sense to duplicate R&D across the country.

17 I've read this report on competitiveness, and  
18 I appreciate it. But don't come to Washington asking  
19 for more money. It's not here. Okay? I met with Jim  
20 Padilla. It's not here, you guys. There is no more  
21 money to give you. Okay? I'm just telling you that  
22 right now. I take as much as I can and I shove it in  
23 my district. That's part of being a representative.

24 But the goal in here, and as I read this on  
25 here, competitiveness, and I told my aide today, I

1     said, look, don't come up with an action point being,  
2     asking Congress for more research and development  
3     money. It's not here. This is the answer. It's this,  
4     the inter-agency working group, that will definitely  
5     tell you who's working on what and using what process.

6             The last thing I want to talk about -- well, I  
7     just want to be brutally up front, especially with the  
8     multi-national corporations. Here it is: you cannot  
9     set up overseas operations for research and development  
10    on one hand, and then complain on the other hand about  
11    a lack of people going into engineering in this  
12    country.

13            I will tell you what the guys are telling  
14    their kids: the jobs are going to India, China and  
15    Poland, so why should you go into engineering? I mean,  
16    I hear it all the time. All the time. I know they're  
17    setting up product, R&D centers, in Singapore.

18            Then sitting down with me and saying,  
19    Congressman, we need more money for research and  
20    development, aaah! And the reason it's the wrong  
21    message, is that you have made a commitment at that  
22    point to ship R&D overseas. This nation has already  
23    lost its technological edge. It's gone. It's gone.

24            If you look at the great machine tool  
25    companies in this country, you've got one machine tool

1 company left, and that's Hauss out in California.  
2 National Tooling in Ohio went into Chapter 11. The  
3 Pentagon didn't know about it. It's the last company  
4 in the country that makes a cold-forming machine.  
5 That's important, because that machine makes bullets.  
6 So, we had nobody left in this country that was making  
7 those machine tools. It was gone.

8 That brings me to the next point. That is,  
9 the Pentagon is doing everything it can to send as much  
10 manufacturing and shifting R&D overseas as possible.  
11 Now, you are probably all familiar with the so-called  
12 Buy American Act.

13 People say, we're in total compliance with the  
14 Buy American Act. Do you know what that means? You  
15 could be in total compliance with the Buy American Act  
16 and have zero percent American quantity product in it.  
17 Zero percent.

18 If you look at the Lockheed Martin helicopter  
19 agreement, where the Pentagon thinks nothing of  
20 entering into an agreement with Augusta-Westland, which  
21 is 32 percent owned by the Italian government, they  
22 control the board of directors, it's a socialist  
23 company, they're expected to go head-to-head with  
24 United Technologies in this country, which is run on a  
25 free market basis.

1           But I just want to share all these things with  
2   you because things are not going that well in Congress  
3   with regard to what we see in the loss of our jobs.

4           CHAIRMAN WAINWRIGHT: Mr. Congressman, thank  
5   you very much. I see you haven't slowed down any up  
6   here. You're doing your job.

7           CONGRESSMAN MANZULLO: I had some more toys to  
8   share with you, but that will be enough for now.

9           CHAIRMAN WAINWRIGHT: Well, we appreciate it.  
10   Thank you for your remarks. Thank you for hosting  
11   this. We always know that you're the watchdog up here  
12   for manufacturing, and we appreciate everything you do.

13           Are there any questions from anybody on the  
14   council for the Congressman?

15           (No response)

16           CHAIRMAN WAINWRIGHT: Surely that was enough  
17   to provoke anybody on this council. Please. Markos?  
18   Yes?

19           MR. TAMBAKERAS: I'm hoping the Congressman  
20   will be here for our discussion later, because a lot of  
21   those products that you just brought out in your packet  
22   is what we do.

23           CONGRESSMAN MANZULLO: Right.

24           MR. TAMBAKERAS: And we are the last  
25   metalworking major company left in this country.



1           CONGRESSMAN MANZULLO: You were down at the  
2 Cast Expo in St. Louis.

3           MR. TAMBAKERAS: Yes. Right. Absolutely.

4           CONGRESSMAN MANZULLO: Right. Right.

5           MR. TAMBAKERAS: And there is a significant  
6 issue--we'll be talking about and elaborating shortly--  
7 about tungsten in China.

8           CONGRESSMAN MANZULLO: Okay.

9           MR. TAMBAKERAS: We have seen a five-fold  
10 increase of the price of tungsten in six weeks. Eighty  
11 percent of it comes from China. That goes in every  
12 tool and is used in every machine that is machining  
13 anything in this country.

14           CONGRESSMAN MANZULLO: Well, we got into that  
15 with titanium. We had to get all of the Pentagon  
16 because they were servicing it from Washington and  
17 Trane, and the three titanium manufacturers were going  
18 nuts.

19           Also, we helped file a Short Supply Petition  
20 on behalf of the brass people when we thought the  
21 Chinese were gobbling up the copper scrap market. The  
22 day we filed the petition, the Chinese backed off on  
23 it. But I'd be glad to talk to you about this issue.

24           CHAIRMAN WAINWRIGHT: Well, the one thing  
25 about this, is this affects all those materials.

1 CONGRESSMAN MANZULLO: That's right.

2 CHAIRMAN WAINWRIGHT: Because this material  
3 goes into the cutting tools that machine those  
4 materials.

5 MR. TAMBAKERAS: Every machining operation  
6 uses them.

7 CONGRESSMAN MANZULLO: What's important about  
8 it is, under the Brady Act, which the Defense  
9 Department has to comply with--I've just got to show  
10 you this--unless some jerk over these decided to have  
11 615,000 American-made berets, berets made in China.

12 There were 614,999 of these that are rotting  
13 in a warehouse in Mechanicsburg, Pennsylvania, and I've  
14 got the other one here. But what had happened was,  
15 they signed this Brady waiver. Tungsten is a precious  
16 metal. Under the law, any order by the Pentagon must  
17 have U.S. tungsten in it. You can't import it. But  
18 I'd be glad to talk to you about that.

19 MR. TAMBAKERAS: We have a solution here  
20 because we have stockpiles that we can access that can  
21 stabilize the market quickly.

22 CONGRESSMAN MANZULLO: Good. Good.

23 MR. TAMBAKERAS: But we need some action,  
24 which we will be talking about later.

25 CONGRESSMAN MANZULLO: Good.

1 CHAIRMAN WAINWRIGHT: So, thank you very much.  
2 Go ahead.

3 MR. STOWE: Just in terms of mentalities at  
4 the Department of Defense, what is the rationale for --

5 CONGRESSMAN MANZULLO: They call it best  
6 value. It's garbage. I talked to the general that  
7 came up with that term, "best value." What they have  
8 done, they have effectively skirted around the Buy  
9 American Act, because that says it's got to be 51  
10 percent American content, and then the DoD signed MOUs  
11 with 26 countries that said, if we buy from you, it's  
12 the American equivalent.

13 So ,you could have 100 percent German parts in  
14 there and fulfill the Buy American Act. The Pentagon  
15 did that purposely, not just because of shortages, but  
16 because of the commercialization going on and you want  
17 to use commercialized products as much as possible in a  
18 defense posture. That's okay, but you can't keep on  
19 avoiding the laws. That's what hurts a lot of us, such  
20 as our printed circuit board people that have been  
21 wiped out.

22 CHAIRMAN WAINWRIGHT: Thank you, Mr.  
23 Congressman.

24 I would like to now introduce Phil Bond, Under  
25 Secretary of Commerce for Technology. Under Secretary

1 Bond serves as the principal advisor to Secretary  
2 Guttierrez on science and technology policy.

3 Technology administration seeks to maximize  
4 technology's contribution to America's economic growth.  
5 In this context, Mr. Bond's primary responsibility is  
6 serve policy development and direction among the Office  
7 of Technology and Policy, the National Institute of  
8 Standards and Technology, and the National Technical  
9 Information Services.

10 Congressman Bond, thank you very much for  
11 giving us your time.

12 MR. FRINK: Before Phil starts, I would like  
13 to have the council recognize and thank Congressman  
14 Mark Green of Wisconsin for being here. We thank you  
15 very much for attending this council meeting.

REMARKS

By Honorable Phillip Bond

MR. BOND: Thank you, Mr. Secretary, thank you, Mr. Chairman, thank you, Mr. Chairman. I drew the short straw and had to follow Don Manzullo.

CONGRESSMAN MANZULLO: I tried to get you ahead, but I don't know what happened.

MR. BOND: Yes. I appreciate it. I was tempted to say that Chairman Manzullo read that thing about out inter-agency group just the way I wrote it, but anybody who knows Don Manzullo knows you don't put words in his mouth. So, I appreciate him drawing attention to that.

I'd like to walk you through a little bit this effort on an inter-agency basis to look at manufacturing R&D. Just as Al Frink personifies the commitment to manufacturing in the near and middle terms, this inter-agency group really personifies the longer term commitment of the administration.

(Showing of slides)

MR. BOND: I want to walk you through some of our work there, which takes place--and you've got hard copies for the council members--under the aegis of the National Science and Technology Council. What is that? I'll cover that a little bit later, but it's really

1 just the coordinating body within the White House where  
2 we can bring together the work going on on an inter-  
3 agency basis.

4 (Changing of slides)

5 MR. BOND: This, of course, was one of the  
6 action items called for in the Manufacturing America  
7 report to put together an inter-agency effort to look  
8 at the longer term. So you see in the bullets there  
9 that it does serve as a forum to address manufacturing  
10 R&D policy, programs, and budget guidance.

11 It promotes exchange in the leverage of  
12 information. This is what Chairman Manzullo was  
13 referring to, trying to break down those infamous silos  
14 and share what's going on.

15 Everybody pursues their budgets individually,  
16 and sometimes we don't share the information and what's  
17 going on in the different labs. We're trying to end  
18 that.

19 There was a similar effort that many folks in  
20 this room know about called GATE-M, the Government  
21 Agencies Technology Exchange and Manufacturing Effort.  
22 This builds rather dramatically on that by  
23 incorporating many more members. In fact, the next  
24 slide shows you the participating agencies.

25 Really, across the board there you see the

1 various agencies, including the SBA, which is  
2 important, as we'll talk about later, but also the  
3 White House Office of Management and Budget, so that  
4 they're fully aware of what we're doing, and the Office  
5 of Science and Technology Policy.

6 (Changing of slides)

7 MR. BOND: We have a formal charter and we  
8 have these functions which, again, are to:

- 9 \* Promote communication
- 10 \* To facilitate these programs
- 11 \* To expedite manufacturing R&D
- 12 \* To report to the Committee on  
13 Technology, which is part of this  
14 Science and Technology Council
- 15 \* And do as the DOC Manufacturing Report  
16 said, to have interface here as one of  
17 our private sector inputs to make sure  
18 that what we do on the Federal side is  
19 relevant not only to the Federal  
20 agencies and their missions, but  
21 relevant to where the private sector  
22 sees the future of manufacturing.

23 (Changing of slides)

24 MR. BOND: So, we do have, as the next slide  
25 shows, some private sector interface through the

1 President's Council of Advisors on Science and  
2 Technology. We are allowed to interact and receive ad  
3 hoc advice from various private sector groups, and we  
4 will talk about that a little bit more as we move ahead  
5 to the next slide, please.

6 (Changing of slides)

7 MR. BOND: We have been meeting now for about  
8 a year on a monthly basis. Our main focus, first, was  
9 to establish some technical priorities, to define the  
10 challenges, and especially the gaps, as we compared  
11 notes among the Federal agencies, and to then propose  
12 solutions.

13 We have heard from the private sector and from  
14 key public sector players the Next Generation  
15 Manufacturing Technology Initiative is a consortium of  
16 some of the associations who are active in next  
17 generation manufacturing.

18 The Partnership for 21st Century Skills is  
19 really getting to the education needs for a 21st  
20 century manufacturing base.

21 NIST's MEP program. That is a part of the  
22 bureau I oversee at Commerce, so we are fully plugged  
23 in and integrated there. The same goes for NIST  
24 Manufacturing Engineering Lab, where some of the  
25 cutting edge work is going on and the new machining



1 systems and intelligence systems.

2 DoD, of course, is a key player, making sure  
3 we keep a manufacturing base and supply chains  
4 available for their needs; as much domestic as  
5 possible, Chairman Manzullo.

6 From OSTP on the hydrogen and fuel cell, and  
7 from SBA, because they are the administrator of \$2  
8 billion of Federal research through the SBIR and STTR  
9 programs.

10 This has resulted in some significant cross-  
11 agency communication, in exchange, driving to that goal  
12 that Chairman Manzullo talked about, to really be able  
13 to get our arms around what everyone is doing in one  
14 place, and spend that one dollar as wisely as we can.

15 We did have a public forum, the last bullet  
16 there, in March to receive some feedback from NAM and  
17 NFIB, and many of the other players in the public  
18 square from the private sector on this. I can tell you  
19 that the feedback we received there was generally quite  
20 positive and supportive of our identified priorities.

21 (Changing of slides)

22 MR. BOND: What we want to do here, as we do  
23 in many of the inter-agency efforts through the NIST,  
24 is end up with a report from the President's Science  
25 Advisor that captures the input, the priorities, and

1 the gaps, and so forth and put that out in the public  
2 square. Then that translates into guidance for the  
3 agencies as they prepare their future budgets. So, we  
4 are trying to drive some prioritization.

5 (Changing of slides)

6 MR. BOND: These are the three technical areas  
7 we identified as gaps and some common areas we need to  
8 move in for the missions of the agencies, and received  
9 positive input on the mission of the private sector:  
10 intelligent and integrated manufacturing systems.

11 Imagine what a competitive advantage it would  
12 be if our machinery not only was working at the micro  
13 or nano scale that Chairman Manzullo talked about, but  
14 if it was self-healing and intelligent; if each piece  
15 of machinery and each step of the manufacturing process  
16 was intelligent and wired to the rest of the supply  
17 chain, so that if there was a breakdown somewhere in  
18 the supply chain, all of the relevant players and  
19 machinery for those players in the supply chain knew it  
20 and could make necessary adjustments. That's the kind  
21 of intelligent and integrated system that we want to  
22 drive toward for our national security needs, homeland  
23 security needs. If you have a surge, you want  
24 intelligent machines dispersed around the country to be  
25 able to understand the need and act efficiently and

1 quickly. Think what that would mean to all machine  
2 tools.

3 Manufacturing for the hydrogen economy. Of  
4 course, we have a huge national initiative for the  
5 hydrogen economy. What we are trying to do, is dive  
6 deeper on what that means for manufacturing down the  
7 supply chains across the country, not just at the proof  
8 of concept, but moving then into what it means  
9 throughout the supply chain: autos, but also for  
10 distributed systems, back-up systems. National  
11 security and homeland security again enter the equation  
12 there.

13 Then nano manufacturing. This is going to  
14 mean not only ultimately completely new ways to  
15 engineer and manufacture, but it's going to mean new  
16 capabilities. Think of tools, think of metals with new  
17 properties, being able to engineer from the bottom up.  
18 So there, too, a national initiative is in place.

19 But we want to go beyond proof of concept  
20 into, what are the real needs that you find at the  
21 grassroots? What are people identifying as places that  
22 we need some more research and development, enable to  
23 hand it off to the private sector and let you create  
24 value, jobs and wealth.

25 (Changing of slides)

1           MR. BOND: There is one other area that I want  
2 you to know about beyond the technical priorities that  
3 we have organized ourselves around, and that is  
4 following up on the President's executive order to  
5 encourage R&D in the SBIR program. Again, that's about  
6 a \$2 billion commitment for smaller, higher risk,  
7 innovative research programs around the country in the  
8 private sector.

9           What we're trying to do, is make sure that we  
10 have a taxonomy for all Federal agencies to use and  
11 look at that can dive into the SBIR grant program and  
12 understand what R&D is going on right now that they  
13 might find relevant.

14           That means finding all of the terms that are  
15 important to manufacturers and making them searchable.  
16 Those terms are changing. I don't have to tell this  
17 council that those terms are changing.

18           So you might simply look up something like  
19 manufacturing and it would not show up in the R&D  
20 proposal, that particular word, so you've got to go to  
21 the next level.

22           What are some of those words that might pop  
23 up? Maybe you'd see a radio frequency identification  
24 R&D, so you want to search for RFID, or nano scale, or  
25 pico scale, or whatever the next generation of

1 capabilities are going to be.

2 So, we are going to prepare that for all  
3 agencies. It would be a desk-top item for Federal  
4 agencies to be able to quickly search and find out what  
5 research is going on.

6 Again, getting back to Chairman Manzullo's  
7 point, we have to spend the available dollars as wisely  
8 as possible, which means not spending them two, three,  
9 or four times on the same research.

10 (Changing of slides)

11 MR. BOND: Last slide, next steps. We do want  
12 to incorporate all of this feedback into our report,  
13 which we want to have done by fall, or even summer, of  
14 this year. The taxonomy, I have told you about.

15 Then we want this to result ultimately in  
16 guidance going out as Federal agencies prepare their  
17 budgets, to know that the view of OMB, the Director of  
18 the Budget and the President's Advisor on Science, that  
19 these are the priorities that we are looking for and  
20 that they're going to be coordinated, information is  
21 going to be shared, and we will then compare notes on  
22 an inter-agency basis so that we can assist all the  
23 agencies in spending those dollars as wisely as  
24 possible in ways that help the private sector as much  
25 as possible so that we can lead the world in this

1 technological capability.

2 Mr. Chairman, thank you.

3 CHAIRMAN WAINWRIGHT: Mr. Secretary, thank you  
4 very much. Outstanding report.

5 One of the questions I would have, and I want  
6 the council to also ask some questions, but I'll lead  
7 off here, what is the tie between our manufacturing  
8 czar in our office there with you and what you've done  
9 to make sure that we're connected with you?

10 MR. BOND: Well, I made a real oversight in  
11 not reciting that at our public forum, Secretary Frink  
12 was not only one of the keynoters, but stayed for, I  
13 think, the entire day's presentation and discussion.

14 I'd like to say that our efforts are joined at  
15 the hip. I think we are working incredibly closely,  
16 both on a personal level, but also through our staffs,  
17 through sharing the information coming out of the last  
18 at NIST with both Al's operation, as well as us on the  
19 technology side. We have a representative of Al's  
20 office on our inter-agency working group. So, we are  
21 completely joined.

22 CHAIRMAN WAINWRIGHT: Okay. And is that tied  
23 in with Jack's operation also then, so we've got the  
24 data we need on this sort of thing, too? Because this  
25 is really important.

1 MR. BOND: Absolutely.

2 CHAIRMAN WAINWRIGHT: I know, within our own  
3 Commerce Department there, we've got to make sure we're  
4 talking there, too.

5 MR. BOND: Right.

6 MR. FRINK: I think we're going to become more  
7 integrated as we move forward. I hadn't asked Phil,  
8 but I think at some of the future inter-agency  
9 meetings, I'd like to be able to attend --

10 MR. BOND: An open invitation to you.

11 MR. FRINK: -- to be able to see the workings  
12 of how it's working, so I can make sure we are doing  
13 just exactly what you said.

14 CHAIRMAN WAINWRIGHT: Any other questions from  
15 anybody else on the council?

16 (No response)

17 CHAIRMAN WAINWRIGHT: Mr. Secretary, thank you  
18 very much. It was fantastic. Of course, the only way  
19 we can compete in this global market is through  
20 technology advancement. It's very important that we  
21 have that on our agenda. So, thank you very much.

22 MR. BOND: Thank you.

23 CHAIRMAN WAINWRIGHT: As I mentioned earlier,  
24 the meeting of the council involved discussions on  
25 education and retraining and innovation. Such topics,

1 we've delegated to our council, of course, through  
2 subcommittees.

3 Now I would like to hear from Fred Keller, who  
4 is the Chairman of the Subcommittee on U.S. Workforce.  
5 Would you give a little briefing on your report, Fred,  
6 please? Thank you.

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1                    SUBCOMMITTEE REPORTS

2                    SUBCOMMITTEE ON THE U.S. WORKFORCE

3                    By Mr. Fred Keller

4                    MR. KELLER: Thank you, Mr. Chairman and Mr.  
5 Secretary. Congressman Manzullo, thank you very much,  
6 on behalf of the other council members.

7                    I am going to try to be brief, but we have  
8 come across, I think, a very interesting area for us to  
9 actually sink our teeth into as council members and  
10 would like to just cover a few points that we have  
11 found as a result of your good work in having Assistant  
12 Secretary Emily Derocco visit with us last time when we  
13 were in Dearborn.

14                    So as a result of Assistant Secretary Derocco  
15 being with us at the last meeting, conversations with  
16 her and her staff have led us to feeling that we have a  
17 very active, and potentially exciting, relationship  
18 with Department of Labor in helping them in their  
19 mission to, in their words, create a demand-driven  
20 workforce system that is to ensure, in their words, no  
21 worker is left behind.

22                    It is important for us to recognize that this  
23 is an opportunity for us. They've got \$15 billion. We  
24 are not asking for more money in this case,  
25 Representative Manzullo. We are merely asking it to be

1     redirected.

2             It is important for manufacturers to organize  
3     with training providers to propose local solutions to  
4     those kinds of needs that we have that are unique to  
5     the manufacturing sector.

6             There is a high-growth job training initiative  
7     that has been under way. They've done some initial  
8     granting on that, and the Department of Labor is  
9     considering future rounds and inviting us to  
10    participate in structuring that.

11            The community-based job training initiative,  
12    which is 225 million dollar grants going out this year,  
13    focusing on the work that community colleges can do to  
14    which many manufacturers are already connected, to be  
15    able to see if we can't figure out a more effective way  
16    to have training happen for manufacturing. Assistant  
17    Secretary Derocco was asking us to participate in  
18    helping to design an even more effective grant-making  
19    process for manufacturing.

20            There is an annual Workforce Innovations  
21    Conference being held in Philadelphia in July, just  
22    right around the corner. This will be featuring our  
23    own Assistant Secretary Frink.

24            Hopefully, Al, I think you're being invited.  
25    Governor Engler is going to be speaking, the president

1 of the National Association of Manufacturers, and I  
2 know that Secretary Guttierrez is also invited to be a  
3 part of this.

4 Congress is working right now on reauthorizing  
5 the Workforce Investment Act. We certainly are  
6 interested in seeing that that continue to pass. I  
7 guess this has been going on continuing resolutions now  
8 for about three years, and hopefully this year it will  
9 be reauthorized. We are anxious to be able to hear  
10 anything about that. So, we've got some  
11 recommendations.

12 One, is that we develop a rather comprehensive  
13 plan, that you charge our committee--and I would add  
14 that our committee just got a little thinner as Scott  
15 Fisk, who has been doing great work with us, has  
16 resigned, so we would need an additional one or two  
17 posts on our committee to help with that.

18 CHAIRMAN WAINWRIGHT: We're going to see what  
19 we can do about that, Fred.

20 MR. KELLER: I'll be looking for additional  
21 help.

22 But we would recommend that this committee be  
23 charged with coming up with a comprehensive plan for  
24 ensuring that manufacturing sectors' retraining needs  
25 be met by the Department of Labor and through the

1 Workforce Investment Act.

2 Secondly, we would suggest that we would be  
3 able to work with some appropriate designated staff at  
4 DOC. We need some staffing help from this to be able  
5 to have a comprehensive plan work, so we'd ask for  
6 that.

7 We would ask that we develop a report to the  
8 manufacturing sector so it isn't just something that we  
9 design here on the Manufacturing Council, but we  
10 actually disseminate some report at a broader segment  
11 that could be easily accessed.

12 Finally, developing a longer range report on  
13 the most effective methodology for retraining. My  
14 suspicion is that we are following a model that may be  
15 somewhat flawed, in the idea that we can simply train  
16 people up and they're ready to be placed into business.  
17 We need to be doing more just-in-time work that is more  
18 relative to what is happening on the job so that people  
19 are being assigned to work and learning on the job.

20 We all know the decay time for retention is  
21 very quick, and we've got to figure out systems that  
22 are going to do that better. So that would be the  
23 focus of some work that we might do together.

24 Actually, we think we might be able to have  
25 some funding from foundations to be able to work with

1 the Department of Labor and having something like this  
2 drawn together. So, that would be the substance of  
3 what we're recommending in the first part.

4 The second thing we'd recommend, is that we  
5 would perhaps entertain--and we can talk about it at  
6 this table--the idea of having our next meeting, July  
7 12th, which the Department of Labor would be happy to  
8 host at the Workforce Innovations Conference, which  
9 will be in Philadelphia, and that we could actually  
10 have our next meeting there, and to really highlight  
11 this issue of workforce retraining and be able to work  
12 together with Department of Labor to do such. So, that  
13 would be the substance of what we're recommending. I'd  
14 like to have comments and dialogue.

15 CHAIRMAN WAINWRIGHT: Okay. Anybody on the  
16 council have any comments, any discussion on Fred's  
17 report, and recommendations? Jim?

18 MR. MCGREGOR: Don, I would like to also like  
19 to request that we try to at least participate. If we  
20 can't have a meeting in Philadelphia with Emily's  
21 group, that we try to, at least some of us, participate  
22 in that meeting to make sure that our message gets  
23 across to her area that's going to be involved in this  
24 conference. So, I would just ask that we do the best  
25 we can to support that.

1           MR. FRINK: I would echo Jim's recommendation.  
2 We had talked about the next council meeting being in  
3 September at Caterpillar at their facility.

4           MR. KELLER: Right.

5           MR. FRINK: And whether or not the council  
6 wants to add another meeting before that so soon will  
7 be something the group will have to make a decision on.  
8 But I do believe, if not --

9           CHAIRMAN WAINWRIGHT: Why don't we talk about  
10 that at another point?

11          MR. FRINK: That would be fine.

12          CHAIRMAN WAINWRIGHT: Jim, on your point, as  
13 far as implementation, I'd like to hear from our  
14 Secretary of Manufacturing, as far as the subcommittee  
15 is concerned, the work that they've done--the good work  
16 they've done on this--how does this go into an action  
17 plan now? We've got recommendations. We've come to  
18 you, and now you'll go to the Secretary with this  
19 information, I suppose.

20          MR. FRINK: Our role, your role, is to provide  
21 advice to the Secretary. I would put a strong, well-  
22 worded white paper together on that, first to myself.  
23 Part of my efforts, with Emily Derocco, is to work on  
24 establishing an Education Council.

25          The issues that are within Fred's

1 recommendations from his subcommittee would be looked  
2 at in that council to begin a plan of implementation.  
3 The idea would be to create a model that we could use  
4 to apply to the entire country, because the issues of  
5 unemployment are, with few exceptions, very consistent  
6 throughout the United States.

7 We need retraining, we need education, K-12,  
8 awareness. We need to market education opportunities  
9 in the manufacturing sector. So, it's a comprehensive  
10 effort that we're going to formulate in a committee  
11 effort, and so I'd probably defer to be able to give  
12 you the exact road map, but give you progress reports  
13 on that as it comes together.

14 CHAIRMAN WAINWRIGHT: And I think that's  
15 outstanding. The thing that Secretary Bond mentioned,  
16 the technology you brought up, just reinforces the  
17 educational standpoint from manufacturers around the  
18 country.

19 And as we represent our constituencies on this  
20 council, we want to make sure that our Manufacturing  
21 Secretary understands how important this is, and also  
22 for you to take to the Secretary of Commerce some of  
23 these ideas so that we can make sure that we're not  
24 just telling you about what we have, but we want to  
25 make sure some of these things are going to start to

1 bear fruit.

2 MR. FRINK: It's at the top of my priority  
3 list, personally in my job and as a part of the  
4 oversight of the council, speaking to the jobs that are  
5 lost. That is a big concern, for sure. We cannot be  
6 anything but passionately concerned about that. Our  
7 efforts to do a job of educating and reeducating is  
8 going to be very helpful to the job market at the  
9 manufacturing level in reversing those numbers.

10 CHAIRMAN WAINWRIGHT: Thank you, sir.

11 Mr. Secretary?

12 MR. BOND: Yes. I just wanted to offer one  
13 note of information for the council and create some  
14 more work for Al Frink.

15 MR. FRINK: Thank you.

16 MR. BOND: The Federal Government is so vast.  
17 There is another inter-agency working group looking at  
18 advanced technologies for education and training, built  
19 in large part on a project started a couple of years  
20 ago with Commerce and education for the kind of general  
21 educational needs, especially looking at K-12, and  
22 looking at where, if technology is really applied to  
23 the individual learning systems of people, and so  
24 forth, what could it do?

25 In the course of setting up a similar inter-



1 agency effort there to find out what was going on,  
2 well, DoD is a world leader in online training and  
3 just-in-time delivery of training to re-skill and  
4 refresh skills.

5 So, Al, that's another inter-agency group we  
6 need to get you plugged into as we try to break down  
7 those silos and take advantage of the research that the  
8 military has already done.

9 MR. FRINK: At DoD.

10 MR. BOND: At DoD, to deliver information in  
11 individualized learning styles. Two people may go to  
12 get the same training course and have it presented, if  
13 I'm an oral learner or visual learner, have it  
14 presented the way they best would do that on a just-in-  
15 time basis, as mentioned. So, one more inter-agency  
16 effort that I think will tie in nicely with Al's work.

17 MR. FRINK: Well, you know, the inter-agency  
18 group that we're going to be establishing specifically  
19 for manufacturing under the Secretary will have  
20 Department of Defense, and other agencies, included,  
21 Education, Labor, all of them. That agency is going to  
22 be tasked with moving forward the recommendations in  
23 the manufacturing report, so we'll bring the collective  
24 efforts of all that input.

25 I think one of the things, speaking to

1 Congressman Manzullo's concern about costs--which are  
2 justified; we don't have money--one of the first things  
3 we'll be doing, is to look at what other efforts are in  
4 place with regard to education so that we're not  
5 replicating and duplicating, but we can find a course  
6 that's clean and focused that needs some manufacturing,  
7 because that's what we're tasked with.

8 CHAIRMAN WAINWRIGHT: Okay.

9 Congressman?

10 CONGRESSMAN MANZULLO: If I could just make a  
11 point.

12 Fred, you're right on. Sometimes I think that  
13 the workforce, training, and all the different programs  
14 we have become employment programs for retrainers.  
15 People are being trained in a vacuum. We have a fellow  
16 back home that wants to add a second shift. He can't  
17 find EDM operators, can't find CNC operators.

18 The biggest problem--and you can talk to Chris  
19 Kane from IBM--they have their own in-house consulting  
20 firm, Price Waterhouse Cooper, and IBM tasked their own  
21 consulting firm to identify the jobs that IBM would  
22 have two years from now so they could work with the  
23 community colleges in order to train the people.

24 The most they could come up with was one year,  
25 because technology is changing so quickly. Knowledge

1 at one time was discovered, today it's invented.  
2 That's how fast this pace is. You've got to jump 10  
3 years ahead, and then move backwards and fill in.  
4 That's the challenge out there. But what I would  
5 suggest, Fred, is people back home, Don Buzicross can't  
6 find his EDM operators.

7 He should be able to pick up the phone, call  
8 one of those half dozen groups and say, would you train  
9 for me a person for this position, and work with them?  
10 It has to be specialized. You just can't train people  
11 in large pools and expect to tap those pools because  
12 technology has moved so fast on them.

13 MR. KELLER: I think that's the idea,  
14 conceptually, that everyone could agree with. It's the  
15 implementation of it.

16 CONGRESSMAN MANZULLO: But where you have to  
17 start, is from the industry perspective. You have to  
18 bring in Caterpillar, or the guys that are here, and  
19 say, let's go to the line, and then work backwards.  
20 Because now we're working academically and  
21 governmently, and then we're trying to go to the line  
22 and it's not working then.

23 MR. KELLER: Right. They can't get there fast  
24 enough.

25 MR. MCGREGOR: Our issue, a big issue with us,

1 is just what you're talking about, Mr. Chairman. One  
2 of our issues that we look at very seriously relating  
3 to this, is some of these people we want to train are  
4 already employed. They're incumbent workers. We need  
5 to get their training and their skill levels higher. I  
6 think one of the things that Fred and our committee is  
7 mentioning here, is as we look at where these dollars  
8 are going, we aren't asking for more dollars, but we  
9 want to know, are we utilizing these dollars the best  
10 they can be utilized to be survivors of the future?

11 I think these processes -- you're absolutely  
12 right. If we get a new process that comes in, in a  
13 matter of months or a year's time, then the providers  
14 want to take years to tell us how to train to it. We  
15 don't have years, you know.

16 MR. KELLER: Right.

17 MR. MCGREGOR: So a lot of us are going out  
18 and developing our own programs for our own survival.  
19 But to be globally competitive, are we going to be able  
20 to do that forever?

21 MR. KELLER: The comment would be a follow up  
22 just a little bit. The DOL really wants to be able to  
23 work with us now, and I don't want to let the perfect  
24 get in the way of the good. I think we've got to jump  
25 on this and take advantage of it if we can at this

1 point.

2 CHAIRMAN WAINWRIGHT: Okay. Let's get some  
3 comments from the public now. I'd like to open it up  
4 to the public. Are there any comments from our guests  
5 here?

6 MR. FRINK: John, I would like to also, if I  
7 could, just interject a second and would like to  
8 recognize, and have the council recognize, that  
9 Congressman Robin Hayes has joined us. We thank you  
10 very much for being here with us.

11 CHAIRMAN WAINWRIGHT: Thank you, sir.

12 Now, let me open it up to the public. Do we  
13 have any comments from any of the public on radio or  
14 here in the audience on this particular subject?

15 Congressman?

16 CONGRESSMAN HAYES: Thank you, John. Thank  
17 all of you all for being here. Being part of the  
18 public, too, I want to welcome you into our crazy city  
19 of Washington, and remind you as you look at the vital  
20 necessity of maintaining a strong industrial  
21 manufacturing base in this country.

22 We are just about to mark up the defense bill,  
23 which some people refer to Buy America. Keep it on  
24 that, because it says the military will buy American-  
25 made goods and services. If we don't support our own

1 folks, then our ability to have the goods and services  
2 we need in times such as this is badly compromised.  
3 You can help us.

4 I want to remind you that all of our wonderful  
5 soldiers, sailors, airmen, and marines wear underwear  
6 and socks, use towels and tee shirts. So, it's vitally  
7 important. Thank you.

8 CHAIRMAN WAINWRIGHT: Thank you, sir.  
9 Appreciate your comments.

10 Any other comments from anybody in the public?

11 (No response)

12 CHAIRMAN WAINWRIGHT: Okay. If not, it seems  
13 the council seems to be in agreement on this, that this  
14 is very important and we ought to move ahead with this  
15 letter. Do I have agreement that, if there are any  
16 objections, that we propose to send a letter to  
17 Secretary Guttierrez through our Secretary and make  
18 sure that this is on the agenda? Is there agreement on  
19 that? Okay.

20 At this time, I'd like to call on Mike Nowak  
21 to give his report on the Subcommittee on U.S.  
22 Competitiveness. This is very important for us to stay  
23 alive in the global market.

24 Mike, can we hear from you?  
25

SUBCOMMITTEE REPORTS

SUBCOMMITTEE ON U.S. COMPETITIVENESS

By Mr. Michael Nowak

MR. NOWAK: Thank you, Mr. Chairman.

As you said, the Subcommittee on U.S. Competitiveness felt that research and development is key for us to lead into the 21st century. You have the report there--which I will try to answer any concerns about--that talks about the innovation, technology, and process advancement that we need to make in order for us to stay competitive as we move into the 21st century.

Just as a little bit of background. First, we have seen manufacturing employment decline. We're out there trying to compete with people who are paying wages that are 5 to 10 percent below us. We believe one of the keys to offsetting that is R&D, and how do we develop process that are lean and able to employ people here at the kind of salaries they need to make a living wage?

In that framework, we have also seen R&D spending, while it's maintained its overall percent of GDP, it's really switched from being more government supported to being more industry supported.

We have also seen a pretty big shift in where

1 R&D dollars are spent. Today, about 81 percent of R&D  
2 spending in the U.S. is on defense and on medical  
3 sciences. That is a huge number, when you compare it  
4 to other places like Japan, France, Germany, and the  
5 U.K., who spend much less money on those areas and much  
6 more on basic research and on supporting the  
7 manufacturing environment.

8 I'm not sure we're asking for more money. I  
9 think what we're asking for is a reallocation. Now,  
10 some of that defense spending does result in products  
11 that go to manufacturers eventually, but again, I think  
12 we've seen a decline in how much we support basic R&D.

13 We've also seen a decline in the interest in  
14 science and engineering fields, as the Congressman  
15 pointed out. Some of that could come from overseas,  
16 participation, but I think it's a chicken-and-the-egg  
17 situation.

18 We've seen that decline happen, I think, over  
19 many years. The last data we had was back in 2000,  
20 which showed that we already had less engineering and  
21 science degrees issued versus many of our competing  
22 countries out there as a percent of total degrees.

23 There just doesn't seem to be the interest  
24 these days in going into science and engineering that  
25 we had in the days when you had the space race and



1 everything else, and it was the thing to do. Along  
2 with the initiative on training, we need to really get  
3 our younger generation interested in those steps.

4 So, we've made a number of recommendations of  
5 what we believe would improve the R&D environment.  
6 Again, I don't think most of them include any  
7 incremental dollars. It may mean switching things  
8 around. Or, as I guess when I read the papers about  
9 Washington and the accounting, many times it goes over  
10 five years. So, maybe it's an investment now that gets  
11 paid back in the next two or three.

12 But, first, I think we need to recognize that  
13 small business in this country employs a lot of people,  
14 number one. Number two, a lot of innovation comes from  
15 small business because, really, if they don't develop  
16 that new product, they don't have a business.

17 Yet, I think there are some things that we do  
18 that discourage them. Certainly the Manufacturing  
19 Extension Partnership is a benefit in small business,  
20 but there are a number of tax policies that could  
21 encourage more business investment and expansion and  
22 use of R&D.

23 Two of those would be the accelerated  
24 depreciation that went away this year. It certainly  
25 accelerate the amount small businesses could spend over

1 the five- or seven-year timeframe. There's really no  
2 loss in taxes.

3 The R&D credits. Being a small business  
4 myself, I can tell you, we've never taken an R&D credit  
5 because I've been told my investors lose money when I  
6 do it. That seems like a heck of a tax incentive to do  
7 R&D when I have to pay more because I don't want to  
8 take advantage of it.

9 The second point, is to permanently extend the  
10 current R&D tax credits, which I believe ended the end  
11 of this year. That would help all manufacturers. And  
12 to make them realistic, that everyone could take  
13 advantage of them, would help all manufacturers promote  
14 R&D within their organizations.

15 Third, the patent reform initiatives. These  
16 days, we see many more applications than we're getting  
17 through the patent office. Patent experience can take  
18 three years, if you're pretty lucky, to being five,  
19 six, seven years sometimes to get a patent issued.  
20 It's very costly and, like I say, the wait is very  
21 long. Support in that regard would help us to  
22 encourage people to make R&D investments so that they'd  
23 be protected.

24 Going along with the prior report,  
25 prioritizing funding to upgrade skills of our workers,

1 particularly at the university level, where we can get  
2 more engineers and science graduates, but also in the  
3 elementary and manufacturing apprenticeship programs,  
4 which I think they talked about adequately.

5           Lastly, promote innovation in health care.  
6 One of the ways--and we've started to see a lot of  
7 this, at least in my part of the country--is how do we  
8 apply technology more to the health care industry to  
9 try to reduce costs and bring them under control?  
10 Health care continues to be a major, major cost for all  
11 U.S. industry, and it's a cost that we really don't  
12 have as we compete against many of our foreign  
13 competition.

14           Those are short-term recommendations. In the  
15 long term, we'd like to see Congress and the President  
16 champion a vision that supports U.S. R&D initiatives,  
17 and that research for manufacturing returns to a level  
18 that is consistent with the GDP.

19           Now, that doesn't mean necessarily spending  
20 more money, but either through inter-agency working  
21 groups or through just shifting some of the investment,  
22 that we invest in our future as a manufacturing  
23 company.

24           That's really brought us wealth over the  
25 history of this nation, and I think we need to get back

1     there if we're going to continue to expand and have a  
2     good, vibrant economy.

3             CHAIRMAN WAINWRIGHT:  Mike, thank you very  
4     much.  Yes, I agree with you.  You guys did a great job  
5     on this report.  Counter to some of the things we hear,  
6     our percentage of the GDP for R&D is tremendously low.

7             So, we're living off the investments we made  
8     40 years ago.  That's where we are now.  We've got to  
9     get ready for the next 40 years and get this thing  
10    turned around so that we're in the world economy.  As  
11    far as R&D is concerned, that's a tough fight.

12            Are there any comments from anybody on the  
13    council?

14            MR. TAMBAKERAS:  If I may.

15            CHAIRMAN WAINWRIGHT:  Markos?

16            MR. TAMBAKERAS:  I think there is a sense of  
17    urgency with this that may not be entirely appreciated.  
18    These battles are fought on a daily basis.  If you lose  
19    an advantage, it takes you a long time to get it back,  
20    if you ever do.

21            It is perhaps -- global, but not too far from  
22    the truth that today certain schools of engineering,  
23    the graduate schools, 40 percent of the graduates are  
24    foreign students who are coming here, and particularly  
25    in the areas like IT, for example, and certain other

1 disciplines.

2 We are trying to hire a lot of these students,  
3 because if you need a short-term fix, then you're going  
4 to find an engineer and a qualified graduate, and then  
5 we try to see how we can leverage that capability  
6 because there's a shortage of engineering.

7 In many ways, the culture has lost valuing  
8 engineering. So in addition to credits and other  
9 things, we need to work in any way we can to raise  
10 again the value at the family level, that being an  
11 engineer is, again, honorable. In a lot of these  
12 countries we are competing against, engineering is very  
13 highly valued and it's a cultural aspect.

14 But certainly as a short-term fix, we are  
15 hiring, when we can, wherever we can, and many of them  
16 are foreign students who graduate from my universities  
17 because we can still provide a very good education here  
18 in engineering. We're still providing, in many ways,  
19 the best, in many disciplines.

20 CHAIRMAN WAINWRIGHT: You're exactly right,  
21 Markos. That's a great point. China is graduating  
22 five times the engineers we are.

23 MR. TAMBAKERAS: Right.

24 CHAIRMAN WAINWRIGHT: And that's the future  
25 for manufacturing, there's no doubt about it. I know

1 our National Association of Manufacturers, with our  
2 Dream It, Do It, we're trying to encourage people to go  
3 into the sciences and trying to change that trend,  
4 because 40 years from now we're not going to be where  
5 we are if we don't get this changed.

6 We've got a Sputnik out there, and it's a  
7 different type of an animal right now than what we  
8 faced with Russia when we finally went after Sputnik at  
9 that time and turned this country around at that time  
10 for R&D. We need the same sort of thing right now. We  
11 need that push. It is urgent, it needs to be done, and  
12 it is a problem.

13 Congressman?

14 CONGRESSMAN MANZULLO: R&D can take other  
15 subtle forms. The FAA is proposing a \$7 million cut-  
16 back in the area of licensing aircraft. Now, this is  
17 insanity going to stupidity, because that's at the end  
18 of the R&D cycle. When the airline guys have been  
19 coming into the office saying, here, we're done with a  
20 product, now FAA says, now you've got to wait. That's  
21 not where you cut back.

22 Also, that Piscantany up there? That's on the  
23 BRAC list. I don't know if you're aware of that. But  
24 it just goes to show, there is no manufacturing  
25 mentality in this country. Sixty years ago, somebody

1 said, "everybody has to go to college." It was no  
2 longer glamorous, nothing exciting about working in a  
3 factory. Now we are suffering, big-time.

4 CHAIRMAN WAINWRIGHT: That's why we're  
5 changing that mentality, and that's what we're working  
6 for. What's why we have this council, and that's why  
7 we have people like Secretary Bond to push the fact  
8 that we're not only looking at changing the policy,  
9 we're looking at changing the systems, too. That was  
10 very important that we talk about, so we have some  
11 reaction time here that's been reduced to try to make  
12 some of these things change.

13 Are there any comments from the public now on  
14 this? Yes, sir.

15 MR. BARGO: Frank Bargo with the National  
16 Association of Manufacturers. I would like to  
17 underscore the urgency. I don't hear enough urgency  
18 around the table for this issue.

19 Now, as we speak, some Federal national labs  
20 are laying off engineers now, or they're just about to.  
21 That's just not acceptable. We have a problem, I  
22 agree, with engineering. But over half of our  
23 engineering students come from overseas right now  
24 because of our visa programs.

25 There is a perception that we're a more

1 hostile country now to foreigners visiting us, and that  
2 enrollment has gone down. We need to get it up. It's  
3 something we can do quickly, and we should staple a  
4 green card to every diploma, and do everything we can  
5 to keep them here while we build up enrollment.

6 Also, engineering is still a hostile area to  
7 women. We're losing half of our prospective engineers  
8 in the future because this is not a friendly enough  
9 career to women, and we need to do something about  
10 that.

11 Also, I would commend to you to look at what  
12 other governments or other countries are doing. I  
13 think it would be very good, Mr. Secretary, if the  
14 Commerce Department staff could do a quick analysis of  
15 what Canada is doing with its 20/20 program, what the  
16 French are doing with their new industrial policy, and  
17 the Germans, the European Union, the Japanese, the  
18 Australians, et cetera. You read that, and you see we  
19 are really falling behind. So, really, I commend your  
20 work, but I think there needs to be a greater sense of  
21 urgency.

22 CHAIRMAN WAINWRIGHT: Frank, thank you very  
23 much. Frank Bargo, from the National Association of  
24 Manufacturers, is one of the senior vice presidents for  
25 Trade and Policy. Frank, we appreciate your comments



1       there.

2               Anybody else? Over here.

3               MR. RIFER: I'm Matt Rifer. I'm the  
4       legislative director for Congressman Aylers from  
5       Michigan. Let me first say that my boss is a person  
6       who understands that urgency. He has that sense. We  
7       also welcome Mr. Keller to Washington. He's one of our  
8       constituents. It's good to see you, sir.

9               We really appreciate the work of the Workforce  
10      Subcommittee. The statistics that we've got in here  
11      are really going to be helpful for us. We'll  
12      incorporate those into talking points that we have got  
13      as we talk to other members and other staff people  
14      about the Key program, particularly, and the funding  
15      for that, as well as basically R&D, basic science  
16      research funding.

17              So, you're preaching to the choir when you're  
18      talking to Mr. Aylers, and he's going to continue to  
19      push with his colleagues to get the point in there.

20              CHAIRMAN WAINWRIGHT: Well, thank you very  
21      much. It's good to have an ally for manufacturing, for  
22      sure.

23              Mike?

24              MR. NOWAK: Maybe I glossed over it, but  
25      certainly, if there's an inter-agency group working

1 with the Department of Education, I would certainly  
2 think we ought to be trying to look at what we can do  
3 at the high school/middle school levels, because there  
4 aren't a lot of kids in school these days, in my  
5 perception, that get fed that engineering's a great  
6 place to go.

7 I mean, their role models are not engineers,  
8 unless it's your mom or dad, or have an uncle. I just  
9 don't think we have that. We don't have the Sputnik  
10 programs where people are looking out there and saying,  
11 boy, I want to work on that.

12 CHAIRMAN WAINWRIGHT: And it's up to us to do  
13 that. I know National Association of Manufacturers has  
14 a Dream It, Do It program now that's going to be going  
15 nationwide to try to change that imagine, and we need  
16 to coordinate that with out inter-agencies.

17 Mr. Secretary?

18 MR. FRINK: Yes. A couple things. One, my  
19 new friend, Chief Counsel Bradley Knox, has advised me  
20 that the report that Frank Bargo was mentioning, the  
21 comparison of what other countries are doing, is  
22 available, Don, and he's going to make that available  
23 to me. So, you and I ought to get together on that,  
24 and I'd like to talk to you further about it.

25 CHAIRMAN WAINWRIGHT: That's great.

1           MR. FRINK: To the point of education and what  
2 Mike was just mentioning, I went back to my alma mater  
3 area of Southern California and did two talks, and one  
4 was before quite a few students, probably about 800.  
5 Interestingly, as I've been doing these talks, the  
6 question I'm getting most often from students is, how  
7 do you start a business? I've had recent reports that  
8 there are more young people looking at starting  
9 businesses than wanting to be doctors.

10           I don't know that there's any scholastic  
11 endeavor to respond to that, but my old school does not  
12 have any of the programs that I took. I was going to  
13 be a tool and dye maker. I studied to be a mechanical  
14 engineer. They're all gone.

15           The good news is, I went to Santa Anna,  
16 California to speak before the Chamber of Commerce, and  
17 they have a new high school starting there that is  
18 going to be totally dedicated to vocational studies and  
19 addressing the areas specifically with nothing else.  
20 Those would be the kind of models that we're going to  
21 look at to help see how we can propagate that around  
22 the country through the means that I've discussed. So,  
23 a lot of work to be done, and it's on our radar.

24           CHAIRMAN WAINWRIGHT: I would also recommend  
25 that you look at St. Louis Ryken Technology, which is

1 funded fully by private donations and does all  
2 technical hands-on training. It's an outstanding  
3 operation, also.

4 MR. FRINK: Thank you.

5 CHAIRMAN WAINWRIGHT: Frank?

6 MR. BARGO: I'm sorry. Just one more thing.  
7 Congressman Frank Wolf -- Congress and others, tomorrow  
8 is having a press conference at 9:30 to announce a  
9 conference on manufacturing and innovation on these  
10 things, and I certainly hope that we can count on your  
11 support.

12 CHAIRMAN WAINWRIGHT: Thank you, Frank. Yes.

13 Any other comments from the public? Steve?

14 MR. LEWIS: I'm Steve Lewis from Ford Motor  
15 Company. I'm here just to highlight on R&D, not only  
16 educational things, which are very important, but the  
17 process -- which is equally important. I remind people  
18 that Ford Motor Company started back in 1903 doing  
19 process. It was process innovation that led to a  
20 revolution in terms of overall business.

21 So, strategically, I think it's very important  
22 that we consider process part of R&D innovation. Many  
23 times it gets discarded, but many of the leaders that  
24 are sitting around the table realize that process is  
25 very important in their day-to-day life. To that end,

1 where we can apply process innovation to areas of  
2 health care or other activities that will help reduce  
3 costs, that's a good thing that will allow people to  
4 take advantage of that at a lower cost. So, I don't  
5 want to discard process innovation.

6 CHAIRMAN WAINWRIGHT: Steve, thank you.  
7 That's a good point. Of course, our own NIST, through  
8 the Baldage Program, is strictly process-oriented.  
9 Secretary Bond, you might comment on that.

10 MR. BOND: Yes. The quality movement  
11 continues. We're trying to expand its reach to other  
12 sectors and continue to drive that program. It has  
13 real benefits. We also have a number of these other  
14 things that have been mentioned, kind of on the radar  
15 screen, whether it is the President's National Medal of  
16 Technology, which I think is one way we could hold up  
17 role models.

18 We don't do a good enough job of that. We  
19 have outreach efforts going on to women and kids, the  
20 Get Tech partnership with NAM that we've had through  
21 Commerce for a while. The health care initiative that  
22 the President's mentioned, one of the really key  
23 processes to bring IT to a late-adopting industry, save  
24 you all money, provide better care. So, a number of  
25 these things.

1           There was mention of high school. New  
2   Secretary Spellings. That is her main focus, is to  
3   take No Child Left Behind and really apply it at the  
4   high school level as well. So, a lot of work can be  
5   done. I think the take-away for me, is the things  
6   you're identifying are the things we have on our radar  
7   screens. We just need to work more closely together.

8           CHAIRMAN WAINWRIGHT: Thank you very much, Mr.  
9   Secretary.

10          Any other comments? John?

11          MR. FRINK: At this point, I'd like to have  
12   the council recognize another Congressman, Congressman  
13   Mike Turner, who is here with us. We'd like to thank  
14   him for joining us.

15          CHAIRMAN WAINWRIGHT: Thank you very much, Mr.  
16   Congressman.

17          If there are no more comments, I would like to  
18   see, is there consensus on the board that we would have  
19   a letter go forward to Secretary Guttierrez through our  
20   Secretary, and make sure this is one of the priorities  
21   from the council?

22          (A chorus of ayes)

23          CHAIRMAN WAINWRIGHT: Okay. That is so done.  
24   Thank you.

25          At this time, I would like Markos Tambakeras,

1 chairman of the Subcommittee on Advocacy and  
2 International Trade, our market access, to give his  
3 committee report.

4 Markos?  
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SUBCOMMITTEE REPORTS

SUBCOMMITTEE ON ADVOCACY AND INTERNATIONAL TRADE

By Mr. Markos Tambakeras

MR. TAMBAKERAS: Yes. Thank you, Mr.  
Chairman.

At the request of the council, this  
subcommittee has prepared a letter to Secretary  
Guttierrez on the subject of CAFTA-DR, and I'm going to  
read that as a specific recommendation on the part of  
the subcommittee.

The letter reads as follows: "The United  
States and six countries--Costa Rica, El Salvador,  
Guatemala, Honduras, Nicaragua, and the Dominican  
Republic--have signed the U.S.-Central America-  
Dominican Republic Free Trade Agreement, CAFTA-DR.

This proposed free trade agreement promotes  
trade liberalization between the United States and  
these six countries, and will immediately open the  
Central American market to most American exporters.

Perhaps of even of more importance, it sets  
the stage for greater commercially meaningful trade  
agreements. The CAFTA-DR agreement requires an up-or-  
down vote of approval in both Houses, and action on  
this agreement is expected within the next few months.

Therefore, operating in our role as an



1 advisory body to the Secretary of Commerce, and on  
2 behalf of the manufacturing sector of the U.S. economy,  
3 the President's Manufacturing Council recommends that  
4 the Secretary of Commerce enthusiastically support the  
5 ratification of CAFTA-DR. CAFTA-DR will help enable  
6 major benefits for the United States, especially for  
7 U.S. manufacturing exports.

8 In 2004, U.S. exports to the six countries  
9 covered by CAFTA-DR totaled almost \$16 billion:  
10 Dominican Republic, \$4.3 billion; Costa Rica, \$3.3  
11 billion; Honduras, \$3.1 billion; Guatemala, \$2.5  
12 billion; El Salvador, \$1.9 billion; and Nicaragua, \$600  
13 million. Moreover, of the \$15.7 billion, \$11.8  
14 billion, or 75 percent, was manufactured exports,  
15 including \$4 billion in machinery and transportation  
16 equipment alone.

17 U.S. manufacturers would benefit not only from  
18 duty-free access to these substantial markets, but  
19 would have preferential access compared to European and  
20 Asian competitors who still have to pay relatively high  
21 tariffs.

22 Passage of CAFTA-DR would immediately  
23 eliminate tariffs on over 80 percent of U.S.  
24 manufacturer exports to the six Central American and  
25 Caribbean countries, with the remaining tariffs to be

1 eliminated within 10 years. Key U.S. exports will  
2 immediately receive duty-free treatment.

3 Just to kind of digress for a moment, I  
4 received some estimates from NAM and MAPI, and they  
5 estimate that CAFTA-DR will provide U.S. manufacturers  
6 approximately \$1 billion of additional manufactured  
7 goods' exports, creating some 12,000 related job  
8 opportunities for American workers.

9 Without the agreement, the U.S. stands to use  
10 up to \$4 billion in existing exports to CAFTA  
11 countries, and could affect up to 48,000 jobs in the  
12 U.S. Failure to approve CAFTA-DR would effectively  
13 shift business from Central America to Asia, and these  
14 countries would lose their apparel industry to Asia,  
15 particularly, potentially China, and more than half a  
16 million people in that region could be out of work. In  
17 short, we don't see a down side to this."

18 So, in closing, the letter to the Secretary  
19 reads, "In addition to these tangible trade benefits,  
20 direct foreign investment will grow as investors gain  
21 confidence that their economies will be increasingly  
22 rules-based, transparent, and stable.

23 Finally, CAFTA-DR has the potential to promote  
24 democracy and stability in the entire hemisphere by  
25 helping build the long-term economic stability of this

1 region. Thank you for your consideration of this  
2 recommendation."

3 I also want to thank and acknowledge my two  
4 partners on the subcommittee, Jim Owens, who is the  
5 chairman and CEO of Caterpillar, Inc., and Harding  
6 Stowe, who is the president and owner of Stowe Mills,  
7 Inc.

8 Thank you for your consideration.

9 CHAIRMAN WAINWRIGHT: Markos, thank you very  
10 much. Market access is extremely important, especially  
11 in the manufacturing arena. You did an outstanding  
12 job, your committee, on this report. We really  
13 appreciate it.

14 I'd like to open it up now to the council to  
15 see if there are any questions or any comments.

16 Harding?

17 MR. STOWE: Don, I'd like to follow up with  
18 it. A significant portion of this business is related  
19 to textiles and apparel. I can tell you today, the  
20 American textile industry, which still exists with a  
21 great number of companies, that Central America is in  
22 many cases the largest area of customers that we have.

23 Some of my competitors who have reviewed it in  
24 depth say that up to 88 to 90 percent of the value of  
25 their products end up in Central America, and we need

1 an apparel-producing base near the United States that  
2 can compete with China.

3 China is trying to dominate this part of the  
4 business, but for strategic reasons, Central America  
5 has great opportunity for us. It's close by, it has a  
6 very solid workforce, and as I said, it's a great  
7 customer base for our industry.

8 CHAIRMAN WAINWRIGHT: Any other comments?  
9 Karen?

10 MS. WRIGHT: The other thing we talked about  
11 earlier, too, is that it does support fledgling  
12 democratic countries. Certainly, given that it is in  
13 our backyard, it's to our advantage anyway to try and  
14 help them to increase their opportunities.

15 CHAIRMAN WAINWRIGHT: Any other comments from  
16 anyone else on the council?

17 (No response)

18 CHAIRMAN WAINWRIGHT: Definitely, free market  
19 access, especially with the Americas, is extremely  
20 important. We've already seen some change over the  
21 last, say, five years since we've had NAFTA. We need  
22 CAFTA-DR. So, I think you gave a great report.

23 I would like to now open it up to the public.  
24 Do we have any comments on this from anybody in the  
25 public? We'd like to hear from any of our guests or

1 anybody in the public on this particular area.

2 (No response)

3 CHAIRMAN WAINWRIGHT: No comments.

4 We seem to have agreement on the council that  
5 this letter would go forward to Secretary Guttierrez as  
6 a recommendation from our council, representing our  
7 constituency. Is everybody in favor of that?

8 (A chorus of ayes)

9 CHAIRMAN WAINWRIGHT: Okay. So moved. So,  
10 we'll make sure that that goes forward.

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GENERAL DISCUSSION

CHAIRMAN WAINWRIGHT:

Now I'd like to kind of open this up as a general discussion of some other areas, other than our subcommittees.

What are some new areas that you might feel are important? Does anybody on the council right now have any other discussion to throw out on the table?

MS. WRIGHT: If I may, I'd like to talk about a couple of things. I'm really sorry that the Congressman left, because he threw out a pretty pithy thing at the beginning where he said, don't ask us for any more money because there isn't any more. I'd like to say that I would like for him to take back to Congress, don't ask us for any more tax money, because the same is true.

Right now, if you look at manufacturing, we have fixed costs of about 22 percent imposed on us because of all kinds of regulation that gets passed time and again by Congress.

Some of the specific items that we have talked about as a group, and also when I've talked to lots of manufacturers across the country, kind of top on our list would be Sarbanes-Oxley, specifically the 404 section of that rule.

1           What we have here, is a very expensive, non-  
2     productive tax imposed on business. Just last year,  
3     for example, there was somewhere in the neighborhood of  
4     over \$5 billion in compliance costs for Sarbanes-Oxley  
5     just to get started. That's for the top Fortune 1,000  
6     companies, not to mention all of the hundreds and  
7     hundreds of smaller businesses that are public  
8     companies.

9           So you have billions and billions of dollars  
10    now being spent to comply with a law that essentially  
11    says that all businesses, public businesses, are guilty  
12    and have to prove themselves innocent.

13          So we think this is something that really  
14    needs to be addressed by Congress and find a better way  
15    to comply with this law that doesn't impose such a huge  
16    cost on manufacturing.

17          The second thing, is repealing the death tax  
18    or estate tax. That's the second thing on our list.  
19    This is another cost that everybody, public and private  
20    companies, bear. When we're talking about R&D, most of  
21    the innovation and the job creation comes from private,  
22    small family businesses in this country. The estate  
23    tax essentially means that it's very difficult to pass  
24    on a business to the people who are most concerned  
25    about it being the next generation.

1           When you have to buy your company back from  
2     the government, and at the rate of 55 percent, it makes  
3     it very difficult to pass it on. So what happens is,  
4     companies end up having to sell in order to pay the  
5     estate tax. That's the bottom line.

6           If you want R&D, if you want innovation, if  
7     you want the people who are most interested in passing  
8     on a business or making it grow, that would be the  
9     people that started it and who are working in it. So,  
10    that right there, the bill to repeal the estate tax, is  
11    currently with the Senate.

12          I would say that would be one of the most  
13    easy-to-pass, most innovative, progressive, positive  
14    moves that the Senate could make this year, is to  
15    repeal that estate tax and do away with a really bad  
16    law that's been imposed on business for a long time.

17          The other thing that is concerning to all of  
18    us, is energy. Certainly the high cost of energy  
19    imposes a big burden on manufacturing. It needs to be  
20    acknowledged that technology has caught up with  
21    conscience. We know how to recover natural gas and oil  
22    without despoiling the environment.

23          There needs to be an acknowledgement of that,  
24    and make it possible for American exploration and  
25    production people in those businesses to start



1 recovering the oil and gas that's available on this  
2 continent. There is lots of it here, but regulation is  
3 preventing us from recovering that energy. So, we need  
4 that as soon as possible, too.

5 Social Security and health care are both  
6 really important issues to all of us. Again, those are  
7 regulations that impose increased costs on all business  
8 and have to be addressed.

9 Another thing that we talked about at some  
10 length, is the intellectual property concerns. If you  
11 are a global company, certainly you're going to be  
12 doing business in China, in India, and other places  
13 like that.

14 We would like protection so that the  
15 innovation and the development that we do is not stolen  
16 and then piggy-backed on in other countries, which is  
17 exactly what is happening today.

18 So, those would be some of the things that I  
19 think that Congress could do for us. We don't want  
20 money, we just want deregulation.

21 CHAIRMAN WAINWRIGHT: Okay, Karen. So,  
22 Sarbanes-Oxley, tweaking that, the death tax, energy,  
23 Social Security, and IPR are important points that we  
24 need to look at in the future. I think that's a good  
25 list.

1           How about anybody else on the council here?  
2       Do we have any other comments on anything else? Fred?

3           MR. KELLER: Mr. Chairman, I would just bring  
4       to the council's attention the situation that is  
5       arising in the auto sector. The auto sector is under a  
6       lot of stress after years of price deflation.

7           Too many suppliers in the supply chain are on  
8       the brink of bankruptcy. That is bad news, in and of  
9       itself. But there is an interesting dilemma here, in  
10      that many of those that are not going into bankruptcy  
11      are really hurt by those going into bankruptcy in two  
12      ways.

13          One, is that as people -- you know, you used  
14      to think of bankruptcy as the thing you didn't want to  
15      do, and now it's becoming a business model as people go  
16      into bankruptcy and actually shed costs.

17          Those who are lower down in the food chain may  
18      not get paid as a result of the bankruptcy, and those  
19      that are going into bankruptcy, in Chapter 11, may very  
20      well have lower costs as they shed some of those costs,  
21      and they become more cost competitive, if you will,  
22      than those who are not going into bankruptcy. So, it's  
23      creating a very potentially dangerous situation in the  
24      auto sector that I think we need to be aware of.

25          CHAIRMAN WAINWRIGHT: Thanks, Fred. I think

1 that is definitely something on our list.

2 Anybody else?

3 MR. BOND: Just to follow up on that, I did  
4 want to draw to the attention of the group the work  
5 that we are doing through the Department of Commerce  
6 and NIST with U.S. CAR, an automotive industry  
7 consortium, really, to look at next generation  
8 technologies on wireless factory floors, on integrating  
9 the supply chain, on lift devices, and important  
10 technology for many manufacturers, and computer  
11 modeling as well, to keep that innovation going in that  
12 fundamental industry. Thank you.

13 CHAIRMAN WAINWRIGHT: Thank you, sir.

14 MR. NOWAK: Another point on the bankruptcy,  
15 is it's certainly true, if it starts in the auto  
16 industry, it's going to go other places. You've seen  
17 some in the airline industry already, people trying to  
18 get more competitive by doing it. It's going to  
19 spread. Hopefully we can head it off before it gets  
20 there.

21 CHAIRMAN WAINWRIGHT: Markos?

22 MR. TAMBAKERAS: I would just bring up a point  
23 I made with Congressman Manzullo, and it's under the  
24 headline of raw materials and China's trade practices,  
25 and the impact on U.S. manufacturing. We've had this

1 with steel and many other metals. We now are seeing it  
2 with tungsten.

3 As I've mentioned, the price has gone from \$60  
4 to \$90 a ton to \$300-plus a ton in a matter of a few  
5 weeks. Eighty percent of the supply comes from China.  
6 Why is this important? Because every time we machine  
7 anything in the manufacturing sector, we use tungsten  
8 as the key material for the tools that are used in the  
9 metalworking sector.

10 So, this is simply under the overall headline  
11 of raw materials and fair trade. This is yet one more  
12 issue we're facing as manufacturers, where the bulk of  
13 the supply is influenced heavily by Asia, and in  
14 particular, China.

15 CHAIRMAN WAINWRIGHT: Would it be fair to call  
16 that a commodity dollar transfer? We've got a  
17 situation here where the commodities are being used to  
18 manipulate markets. That's the big thing that we're  
19 really concerned about more than anything else.

20 MR. TAMBAKERAS: Yes. And it's inflationary  
21 and it adds to the cost.

22 CHAIRMAN WAINWRIGHT: Exactly. Sure.

23 MR. TAMBAKERAS: So it has inflation.

24 CHAIRMAN WAINWRIGHT: Because the markets  
25 aren't free. They're being controlled.

1 MR. TAMBAKERAS: Plus, the material is not  
2 available. Particularly hard hit will be small and  
3 medium manufacturers who run small operations whose  
4 costs are going to go, again, very high, and  
5 potentially, like we saw with tool and dye, we may see  
6 other sectors of the economy becoming uncompetitive  
7 because of their machining costs going up. So, it's in  
8 the overall umbrella of raw materials, but exactly the  
9 point you made.

10 MR. MCGREGOR: Or lack of the product.

11 CHAIRMAN WAINWRIGHT: Yes. Well, right.

12 MR. MCGREGOR: There's a shortage,  
13 potentially, created. Well, that's an imposed  
14 shortage, controlled markets.

15 MR. TAMBAKERAS: Controlled markets. And in  
16 the case of tungsten, we have within our control to do  
17 something about it because we do have stockpiles within  
18 the DLA that can be used to relieve the pressure. But  
19 tungsten is a symptom of a broader problem, and I think  
20 it's the broader problem.

21 CHAIRMAN WAINWRIGHT: I'd like to now open it  
22 up to the general public.

23 Jim?

24 MR. MCGREGOR: Just one quick comment to back  
25 Karen up on this repeal of the estate tax. I cannot

1 say how critical that is to a lot of the manufacturing  
2 industries, and other types of industries, in this  
3 country.

4 For people that are second and third  
5 generation in these family-owned businesses that have  
6 worked a lifetime, or whether it be a farmer or a land  
7 developer, or whatever, this issue is critical to the  
8 future of a lot of jobs in the United States of  
9 America.

10 MR. KELLER: It might be worth making the  
11 distinction here, too, that we're talking about an  
12 estate tax that may be different from what some people  
13 think of in the estate tax.

14 CHAIRMAN WAINWRIGHT: It's only if you die,  
15 though. Right, Fred?

16 MR. KELLER: It's only if you die. That's  
17 true. But the concept of a small business having to be  
18 sold is different from taxing assets that someone may  
19 have in some liquid form.

20 Businessmen, as we all know, sitting around  
21 the table, have fixed assets that are not very liquid.  
22 In a private company that has to literally be sold to  
23 some third party in order to pay taxes, that kills the  
24 business. I don't think people understand that.

25 CHAIRMAN WAINWRIGHT: You don't get the

1 highest price when you have to sell?

2 MR. KELLER: Right.

3 MS. WRIGHT: It kills the business.

4 Typically, they're in small towns. It gets sold to a  
5 big company. Then they close it down and move it to  
6 China.

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PUBLIC COMMENTS

CHAIRMAN WAINWRIGHT: Let me open this up to the public. Do we have any comments from anybody in the public on any of these issues, or any other issues?

Yes, Fred?

MR. NICHOLS: Fred Nichols with the NAM. Later this week, the President's Tax Reform Commission is going to be meeting. They're going to be looking at specific proposals for overall tax reform. As you'll recall, in the manufacturing report there was one recommendation that was given to Treasury to look at ways to reform the Tax Code, to improve innovation and growth in manufacturing. I just want to make sure this council has looked at the opportunity to weigh in, because that will probably close within the next 30 days.

CHAIRMAN WAINWRIGHT: Fred, thank you very much.

Mr. Secretary, do we have that on our agenda?

MR. FRINK: I was just going to comment on Markos' report on tungsten. I'd have to review the letter that you sent, but if your letter could quantify that the market has been controlled, or if it hasn't, if you could give us something to that effect, then we



1 feed a lot of the information that USTR gets so they  
2 can bring that to the table. It could be a WTO  
3 violation, not just for the current fix, but moving  
4 forward. So, if you can make that effort, that would  
5 be something we could take forward.

6 CHAIRMAN WAINWRIGHT: Thank you.

7 General public, or any of our congressional  
8 guests also, are there any comments from anybody? Yes,  
9 sir.

10 VOICE: -- take a look at the lists of --  
11 production, pretty much China controls the -- so from  
12 every type of -- you name a metal, you name the type of  
13 power production, whether it's natural gas -- long-term  
14 contracts with -- countries that provide these, the  
15 impact is -- so that's something that's important to  
16 keep in mind.

17 The other thing is, when it comes to container  
18 shipments, most of that's run by Southeast Asian  
19 countries. So if we did have a problem -- so that's  
20 just something to keep in mind.

21 CHAIRMAN WAINWRIGHT: Thank you very much.

22 Well, if there are no more comments, I would  
23 like to sort of bring this to a close.

24 Karen, is there anything else that you would  
25 suggest?

1 MS. WRIGHT: Well, I just wanted to  
2 acknowledge that Frank over here said something really  
3 great. I think this should be in the paper, to staple  
4 a green card to every foreign-trained engineer's  
5 diploma. I think that's a great idea.

6 We should acknowledge that they would like a  
7 shot at the American dream. That's why they come here.  
8 If we could keep them here, that would be a huge  
9 advantage to us. That would be a fairly simple thing  
10 to do, to say if you got a diploma in engineering, or a  
11 science degree in the United States, that guarantees  
12 you a shot at citizenship. That's a great idea.

13 CHAIRMAN WAINWRIGHT: That's great.

14 Frank, you seem to be getting in the news a  
15 lot of times. Do you have that pair of pliers with  
16 you?

17 MR. BARGO: Not today.

18 CHAIRMAN WAINWRIGHT: Okay. Well, that refers  
19 to a pair of pliers. As he said, the raw material in a  
20 pair of pliers made in China, we can't even start to  
21 compete with. We sell it for a dollar, they sell it  
22 for forty cents. So, you're back in the news again,  
23 Frank. Good idea.

24 Jim, do you have a comment?

25 MR. MCGREGOR: Mr. Secretary, in Fred's

1 comment about the President's tax proposal coming up  
2 and the 30-day window, can we be sure that we are  
3 engaged in that issue and understand? I didn't know  
4 that that opportunity was coming up. If the window is  
5 going to be that short, we probably ought to understand  
6 the issue a little bit better, and maybe get engaged.

7 CHAIRMAN WAINWRIGHT: Go to nam.org and you'll  
8 find it. We'll make sure.

9 Well, that brings this meeting to a  
10 conclusion, unless we have any other comments from  
11 anybody else. I want to thank everybody. I believe  
12 this was our fourth get-together. It was outstanding.  
13 We appreciate all the comments, appreciate the guests,  
14 appreciate the council members and your comments. We  
15 look forward to the next meeting.

16 Remember, manufacturing has to be number one  
17 in the United States. Thank you very much.

18 (Whereupon, at 12:02 p.m. the meeting was  
19 concluded.)  
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C E R T I F I C A T E

This is to certify that the foregoing  
proceedings of a meeting of The Manufacturing Council,  
U.S. Department of Commerce, held on Wednesday, May 11,  
2005, were transcribed as herein appears, and this is  
the original of transcript thereof.

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WILLIAM J. MOFFITT  
Official Court Reporter

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